

Week of January 15, 2018

**HEADLINES**

**Governor Wolf to change overtime rules**

At an event in Philadelphia Wednesday, Gov. Tom Wolf announced he is having his Department of Labor and Industry change regulations relative to overtime work to modernize a system that he called “outdated”. According to the Wolf administration, the current overtime rules have not been updated since the 1970s. The changes sought by the governor would increase the salary thresholds over a four-year period—and then every three years after that—by which workers are exempted from overtime requirements that guarantee overtime pay workers making less than the threshold amount. The current threshold amount of $24,000 has not been updated since 1977. According to the plan outlined by the governor, the new regulations—expected to undergo the regulatory review process this March—would increase the threshold amount by which workers would be exempt from overtime requirements over a four-year period ending in 2022. The first step will raise the salary level to determine overtime eligibility for most workers from the federal minimum of $455 per week, $23,660 annually, to $610 per week, $31,720 annually, on January 1, 2020. The threshold will increase to $39,832 on January 1, 2021, followed by $47,892 in 2022, extending overtime eligibility to 370,000 workers and up to 460,000 in four years. Starting in 2022, the salary threshold will update automatically every three years. The administration also hopes to clarify duties relative to executive, administrative, and professional employees to make it easier to determine whether an employee is subject to overtime regulations.

**House Appropriations Subcommittee Hearing on PA Tax Structure**

Thursday morning, the House Appropriations Subcommittee on Fiscal Policy held a public hearing on Pennsylvania tax structure and fiscal policy. The testifiers included Jared Walczak of the Tax Foundation, Robert Strauss of Carnegie Mellon University and Pavel Yakovlev of Duquesne University. A summary of the hearing can be found [HERE.](https://drive.google.com/open?id=1b_syle7vcLjZkSgek70bMONROoogTGs8)

**Sen. Rafferty, Sen. Scavello: Veterans Organizations Now Exempt from Realty Transfer Tax**

Nationally recognized veterans organizations are now exempt from the Realty Transfer Tax, under a provision sponsored by Sen. John Rafferty (R-44) and Sen. Mario Scavello (R-40). Prior to the change, veterans organizations wishing to transfer property from the local home association to the post were not excluded from the 2 percent realty transfer tax despite their tax-exempt status. The Realty Transfer Tax exemption was introduced by Senator Rafferty and Senator Scavello as Senate Bill 430, which was amended into Act 43 of 2017, the Tax Code bill.

**Elimination of the Inheritance Tax Co-Sponsor memo**

Rep. Greg Rothman circulated co-sponsorship memorandum for legislation that would eliminate the Pennsylvania Inheritance Tax by removing Article XXI from the Tax Reform Code. Presently, the Pennsylvania inheritance tax is imposed as a percentage of the value of a decedent’s estate transferred to beneficiaries by will, heirs by intestacy and transferees by operation of law. The tax rate depends on the relationship of the heir to the decedent and ranges from 0% to 15%. Pennsylvania has no general exclusion amount. Therefore, the first dollar of the taxable estate (gross estate less allowable deductions) is subject to tax. The Federal inheritance/estate tax is applied to the transfer of property to an heir after the passing away of the original owner. Federal tax is calculated based on the fair market value of the property transferred to the beneficiary of the estate. However, unlike Pennsylvania, the federal estate tax has a general exclusion amount. According to the co-sponsor memo, Rep. Rothman would like to eliminate the inheritance tax to prevent double taxation on families.

**Corr and Quigley Highlight Benefits of State Education Tax Credit Programs for Local Students, Businesses and Schools**

State Rep. Michael Corr (R-Montgomery) and state Rep. Tom Quigley (R-Montgomery) visited Pope John Paul II High School in Royersford, where they and Pennsylvania House Speaker Mike Turzai (R-Allegheny) highlighted the benefits enjoyed by students, parents, local businesses and schools that have used two popular education tax credit programs, the Educational Improvement Tax Credit (EITC) program and the Opportunity Scholarship Tax Credit (OSTC) program. The EITC program provides businesses with tax credits in exchange for voluntary contributions to organizations that fund various education opportunities in both public and private schools. The OSTC program provides businesses with tax credits in exchange for their contributions to organizations that provide scholarships to students who live within the attendance boundary of a low-achieving public school. The state House in March approved legislation – [House Bill 250](http://www.legis.state.pa.us/cfdocs/billInfo/billInfo.cfm?sYear=2017&sInd=0&body=H&type=B&bn=0250) – introduced by Turzai that would increase the amount of combined credits available through the EITC and OSTC programs to $250 million. Under Turzai’s bill, $175 million in tax credits would be available through the EITC program and $75 million would be available through the OSTC program. The bill was referred to and remains in the Senate Education Committee awaiting consideration.

**PA ABLE PROGRAM UPDATE**

Pennsylvania Treasurer Joe Torsella announced that the Pennsylvania ABLE Savings Program (PA ABLE) finished 2017 by exceeding more than $4 million in assets, and almost 1,000 individual accounts opened. This represents the fastest growth for an ABLE program of any state in the National ABLE Alliance. The PA ABLE Savings Program provides tax-advantaged savings accounts for individuals with qualified disabilities and their families. ABLE saving accounts are excluded from eligibility determinations for Supplemental Security Income (SSI) benefits (savings up to $100,000), Medical Assistance, and other federal and state means-tested disability and health benefits programs on which individuals with disabilities must often depend. Under the PA ABLE Savings program: eligible individuals can save up to $15,000 each year; accounts grow tax-free; accounts can be used to pay for a wide range of disability-related expenses; contributions can be deducted on Pennsylvania incomes taxes (limitations apply); and accounts are exempt from Pennsylvania inheritance tax.

**Republican lawmakers introduce regulatory reform report, bill package**

A group of more than two dozen legislators, business organizations, academics, and advocacy organizations stood together Tuesday in the state Capitol’s Media Center to unveil a report on Pennsylvania’s regulatory reform issues and a package of bills they hope will restructure the state’s regulatory environment. The effort, the group said, is the culmination of work in terms of hearings by the House Republican Policy Committee, the House State Government Committee, and legislation vetted by the newly-formed House Common Sense Caucus to look at ways in which the state may be inhibiting business growth through onerous and duplicative regulations. It was that five-bill package, some of which have been introduced earlier this session with others having a more recent unveiling. Staring with House Bill 209, legislation sponsored by Rep. Kristin Phillips-Hill (R-York), the bill would establish the Independent Office of the Repealer, who will undertake an ongoing review of existing regulations and be the repository for regulatory recommendations related to repealing existing regulation. Also part of the package is House Bill 1237, legislation introduced last year by Rep. Dawn Keefer (R-York) that would require the General Assembly, through concurrent resolution, to approve regulations that have an annual fiscal impact totaling $1 million or more on the government or private sector. Rep. Kerry Benninghoff (R-Centre), who chairs the House Republican Policy Committee, authored House Bill 1792, which would allow the General Assembly to repeal any regulation by concurrent resolution. House Bill 1959, sponsored by Rep. Greg Rothman (R-Cumberland), is aimed at bringing transparency to permitting by establishing the Pennsylvania Permit Act that would require agencies to create and develop an online navigable database tracking the permit process and giving a statutorily-defined rationale for when a permit is delayed or denied.

**PENNSYLVANIA GENERAL ASSEMBLY SESSION SCHEDULE:**

**2018 SENATE SESSION SCHEDULE**

January          22, 23, 24, 29, 30, 31

February         5, 6, 7

March             19, 20, 21, 26, 27, 28

April               16, 17, 18, 23, 24, 25, 30

May                1, 2, 21, 22, 23

June               4, 5, 6, 11, 12, 13, 18, 19, 20, 25, 26, 27, 28, 29

**2018 HOUSE SESSION SCHEDULE**

January          22, 23, 24

February         5, 6, 7

March             12, 13, 14

April               9, 10, 11, 16, 17, 18, 30

May                1, 2, 22, 23

June                4, 5, 6, 11, 12, 13, 18, 19, 20, 21, 25, 26, 27, 28, 29, 30

**UPCOMING COMMITTEE MEETINGS AND HEARINGS**

[**House Finance**](http://www.ctbpls.com/htbin/web_com.com?Comnam=018&Session=17R)  
**TUESDAY - 1/23/18**  
**9:30 a.m., Room 205, Ryan Office Building**

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|  | To consider:   |  |  |  |  | | --- | --- | --- | --- | |  | [HB 994](http://www.ctbpls.com/htbin/web_index?BILL_NUMBER=HB00994&SESSION=17R) | [Grove, Seth](http://www.ctbpls.com/htbin/web_member?17R196) | Amends the Tax Reform Code, in gross receipts tax, further providing for imposition of tax. |  |  |  |  |  | | --- | --- | --- | --- | |  | [HB 1098](http://www.ctbpls.com/htbin/web_index?BILL_NUMBER=HB01098&SESSION=17R) | [Peifer, Michael](http://www.ctbpls.com/htbin/web_member?17R139) | Amends The Local Tax Enabling Act, in local taxes, further providing for delegation of taxing powers and restrictions thereon; and, in consolidated collection of local income taxes, further providing for declaration and payment of income. | |

**DEPARTMENT OF REVENUE UPDATE**

**Bookkeeper at former Berks County car service businesses ordered to pay $46K in restitution**

​A Berks County woman, Lorraine J. Fritz, was ordered to pay $46,567.25 in restitution following her failure to remit Pennsylvania sales and state income taxes that were collected at the car service businesses where she worked as a bookkeeper, Revenue Secretary Dan Hassell announced. She also was sentenced to six years of probation when she appeared Tuesday before Berks County Judge Eleni D. Geishauser. Fritz worked for Reel Time Automotive, LLC, a defunct Berks County business that operated two Meineke Car Care Centers.  According to investigators, Fritz’s crimes involved her failure to turn over $99,671.25 in collected sales tax and $11,896.00 in withheld state income taxes. She was the person responsible for preparing, filing and remitting the taxes for the business.  She pleaded guilty to six misdemeanor tax offenses that stemmed from her actions. The Department of Revenue’s Bureau of Criminal Tax Investigations investigated Fritiz after an audit uncovered trust fund taxes that were not remitted.

**IRRC UPDATE**

**INDEPENDENT REGULATORY REVIEW COMMISSION  
Notices**

[Notice of comments issued](https://www.pabulletin.com/secure/data/vol48/48-2/78.html)